

BANK INDONESIA REGULATION

NUMBER 8/24/PBI/2006

CONCERNING

ASSETS QUALITY RATING

FOR SHARIA RURAL BANKS

GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas sharia rural bank business sustainability is dependent on the bank's capability to place funds by considering risk and prudential principles in the form of fulfillment of favorable assets quality and allowances for assets losses;
 - b. whereas obligation in assets quality rating and allowances for assets losses shall be necessary to be enforced on earning assets and non-earning assets;
 - c. whereas stipulations on assets quality and allowances for assets losses are interrelated that it is necessary to join those stipulations in one regulation;
 - d. whereas pursuant to the considerations set forth in letter a, letter b, and letter c, it is deemed necessary to reorganize stipulations concerning assets quality rating for sharia rural banks in a Bank Indonesia Regulation.

In view of ...

- In view of :
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
 2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED :

To enact : BANK INDONESIA REGULATION CONCERNING ASSETS
QUALITY RATING FOR SHARIA RURAL BANKS

CHAPTER I GENERAL PROVISIONS

Article 1

Terminologies used in this Bank Indonesia Regulation are defined as follows.

1. Sharia Rural Bank, hereinafter referred to as SRB, is a rural bank as

referred to ...

referred to in Article 1 number 4 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business based on sharia principles.

2. Earning Assets are placements of SRB funds in rupiah based on sharia principles in the form of Financing, Bank Indonesia *Wadiah* Certificate, and placement of funds in other banks.
3. Non-earning Assets are SRB assets other than Earning Assets which bear potential losses, namely in the form of other real estate owned.
4. Financing is a provision of funds or claims considered of the kind in the form of :
 - a. profit sharing transaction in the form of *Mudharabah* and *Musyarakah*;
 - b. leasing transaction in the form of *Ijarah* or leasing with an option of transference of proprietary right in the form of *Ijarah Muntahiyah bit Tamlik*;
 - c. sale and purchase transaction in the form of *Murabahah*, *Salam*, and *Istishna'* account receivables;
 - d. lending-borrowing transaction in the form of *Qardh*; and
 - e. multiple service transaction under *Ijarah* or *Kafalah* agreement, based on an agreement between SRB and another party requiring the party receiving finance and/or facility of funds to repay the funds after a specific term with repayment services, without repayment services, or profit sharing.
5. *Mudharabah* is an investment from a fund owner (*shahibul maal*) to a fund manager (*mudharib*) to conduct a specific business, with a distribution of profit using profit sharing method or net revenue sharing

method ...

method between those two parties based on a ratio agreed in advance.

6. *Musyarakah* is an investment from a fund/capital owner to mix the fund/capital into a specific business, with a sharing of profit to be based on a ratio agreed in advance, while losses shall be borne by all fund/capital owners based on the proportion of respective fund/capital.
7. *Murabahah* is a sale and purchase of goods amounting to the cost price of the goods plus a margin of profit as agreed.
8. *Salam* is a sale and purchase of goods by ordering with specific requirements and with a full payment of the price in advance.
9. *Istishna'* is a sale and purchase of goods by ordering to make the goods in specific criteria and condition and to be paid as agreed.
10. *Ijarah* is a leasing agreement between a leasing object owner including ownership on using right on the leasing object, between a leasing object owner and a lessee to acquire repayment services from the leasing object on leasing.
11. *Ijarah Muntahiyah bit Tamlik* is a leasing agreement between a leasing object owner and a lessee to acquire repayment services from the leasing object on leasing with an option of transferring the ownership of leasing object either through sale and purchase or donation (grant) at a specified time as agreed.
12. *Qardh* is an agreement on lending and borrowing of funds without any repayment service requiring the debtor to repay the principal all at once or in installments in a specified term.
13. Placement of Funds in Other Bank is a placement of funds in Sharia Banks or other SRBs in the forms of *Mudharabah* and/or *Wadiah* demand deposit and/or savings deposit, *Mudharabah* time deposit and/or savings

deposit ...

deposit, Finance extended, and/or other forms of placement considered of the kind.

14. Revenue Projection (RP) is revenues estimated to be received by SRB from customer in respect of Financing extended in the amount and due date as agreed by the SRB and the customer.
15. Realized Revenues (RR) are revenues acquired by SRB from customer in respect of Financing extended.
16. Bank Indonesia *Wadiah* Certificate is a certificate issued by Bank Indonesia as a proof of a short-term fund depositing based on *Wadiah* principles.
17. *Wadiah* is an agreement on fund or goods depositing from a fund or goods owner to a party entrusted to keep the deposit of funds or goods requiring the party entrusted to keep to return the deposit of funds or goods at any time.
18. Other Real Estate Owned, hereinafter referred to as OREO, is assets obtained by SRB either through auction or over the counter based on a voluntary transfer by a collateral owner or based on a power of attorney to sell over the counter from the collateral owner in the event that customer is declared Loss.
19. Allowances for Assets Losses, hereinafter referred to as PPA, is a reserve to be established amounting to a certain percentage based on assets quality.
20. Independent Appraiser is an appraising company which :
 - a. is not related in ownership, management, and finance either with SRB or customer obtaining facilities;
 - b. conducts appraising activities under professional code of ethics and

regulations ...

- regulations stipulated by authorized institution;
- c. applies appraising methods based on appraisal profession standard issued by authorized institution;
 - d. holds business license issued by authorized institution to operate as an appraising company; and
 - e. is recorded as a member of an association recognized by authorized institution;
21. Rating is a written statement of an Independent Appraiser or SRB internal appraiser concerning appraisal and opinion on collateral economic value in the form of fixed assets based on an analysis on objective and relevant facts in accordance with commonly applicable methods and principles stipulated by Indonesian Appraiser Profession Society (MAPPI);
22. Market Approach is an amount of money expected to be obtainable from a sale and purchase transaction or exchange of assets on the date of rating after deducted by transaction costs; the selling and buying parties do not have any relationship before, have knowledge on the assets to be traded, and exercise transaction in unforced condition;
23. Finance Restructuring is an effort made by SRB in order to assist a customer to be able to settle its liabilities, among other things, through :
- a. rescheduling, namely amendment to the repayment schedule of a customer's liabilities or the term thereof;
 - b. reconditioning, namely amendment to a part or all Financing requirements including but not limited to amendment to the repayment schedule, term, and/or other terms and conditions insofar provided that it does not involve any amendment to the maximum balance of Financing;

c. restructuring, namely amendment to Financing requirements including:

- 1) addition of SRB funds;
- 2) conversion of Financing agreement.

CHAPTER II ASSETS QUALITY

Article 2

- (1) Provision of SRB funds shall be made on the basis of prudential principles and shall comply with sharia principles;
- (2) SRB management is required to monitor and take anticipatory measures to ensure that Assets quality continues to be Current.

Article 3

- (1) Any SRB is required to conduct assets quality rating either on Earning Assets or Non-earning Assets;
- (2) The assets quality rating as referred to in paragraph (1) shall be conducted on a monthly basis.

CHAPTER III EARNING ASSETS

Part One

General Provisions

Article 4

- (1) Earning Assets Quality in the form of Financing shall be rated into 4 (four) classifications, namely Current, Substandard, Doubtful, and Loss;

(2) Earning ...

- (2) Earning Assets as referred to in paragraph (1) shall be rated by promptness and/or capability of liability repayment by customer.

Article 5

- (1) Rating on *Mudharabah* and *Musyarakah* Financing qualities which is based on repayment capability shall refer to promptness of principal repayments and/or achievements of the ratio of Realized Revenues (RR) on Revenue Projection (RP).
- (2) Calculation of RR to RP ratio as referred to in paragraph (1) shall be based on accumulation average in the duration of undergoing *Mudharabah* and *Musyarakah* Financing.
- (3) Calculation of RP shall be based on business feasibility analysis and customer's cash inflow in the duration of *Mudharabah* and *Musyarakah* Financing.
- (4) Any SRB may revise the RP no more than :
 - a. 1 (one) time in one year for *Mudharabah* and *Musyarakah* Financing with a term of up to 1 (one) year;
 - b. 2 (two) times in one year for *Mudharabah* and *Musyarakah* Financing with a term of more than 1 (one) year.
- (5) Any SRB may revise the RP as referred to in paragraph (4) based on macroeconomic and market developments or natural disaster bringing impacts on customer's business.
- (6) Any SRB is required to include RP and RP revision in *Mudharabah* and *Musyarakah* Financing agreements between the SRB and customers and shall be fully documented.

Article 6

- (1) Principal installments as referred to in Article 5 paragraph (1) may be paid during the term of Financing as agreed by an SRB and its customer.
- (2) If Financing term is more than 1 (one) year, the principal installments of Financing as referred to in paragraph (1) shall be paid in stages in accordance with cash inflow projection of customer's business.
- (3) The principal installment repayments as referred to in paragraph (1) must be stated in Financing agreement between the SRB and its customer and be fully documented.

Article 7

- (1) Quality of Earning Assets in the forms of *Murabahah*, *Salam*, *Istishna'*, *Ijarah*, *Ijarah Muntahiyah bit Tamlik*, and *Qardh* Financing shall be rated by duration of payment arrears as follows.
 - a. installments other than for Housing Credit;
 - b. installments for Housing Credit.
- (2) Installment payments of Financing as referred to in paragraph (1) must be stated in the agreement between the SRB and its customer and be supported with complete documents, including at least principal portion, margin, and repayment schedule.

Article 8

Quality of Earning Assets in the form of Bank Indonesia *Wadiah* Certificate shall be classified Current.

Article 9

Quality of Earning Assets in the form of Placement of Funds in Other Bank shall be classified Current provided that it is guaranteed by the Depository

Guarantee ...

Guarantee Institution.

Article 10

In the event that Placement of Funds in Other Bank does not meet guarantee program requirements of the Depository Guarantee Institution as referred to in Article 9, the quality of Placement of Funds in Other Bank shall be classified as follows.

- a. Current, if there is no arrear in principal repayment for *Wadiah/Qardh*, or there is no arrear in principal and/or profit share payment for *Mudharabah* and *Musyarakah*, and/or Realized Revenues (RR) are equal to or more than 80% of Revenue Projection (RP) for *Mudharabah* and *Musyarakah* Financing;
- b. Substandard, if there is arrear in principal repayment for *Wadiah/Qardh*, or there is arrear in principal and/or profit share payment for *Mudharabah* and *Musyarakah* up to 5 (five) working days, and/or RR is higher than 30% up to 80% of RP or RR is equal to or lower than 30% of RP up to 3 (three) repayment periods for *Mudharabah* and *Musyarakah* Financing;
- c. Loss, if :
 - 1) SRB or bank receiving Placement has been declared and announced as SRB or bank under status of special surveillance or SRB or bank has been imposed on sanction of freezing of its entire business activities;
 - 2) SRB or bank receiving Placement is declared under liquidation; and/or
 - 3) There is arrear in principal repayment for *Wadiah/Qardh* principles, or there is arrear in principal and/or profit share payment for *Mudharabah* and *Musyarakah* for more than 5 (five) working days, or RR is equal to or higher than 30% (thirty percent) of RP for *Mudharabah* and *Musyarakah* Financing.

Article 11 ...

Article 11

- (1) Provision of SRB funds in the form of Earning Assets must be fully documented.
- (2) Earning Assets Quality which has been classified Current by SRB shall be downgraded to be the highest of Substandard by Bank Indonesia if customer's documentation fails to provide sufficient information.

CHAPTER IV NON-EARNING ASSETS

Part One

General Provisions

Article 12

- (1) Any SRB is required to rate the quality of Non-earning Assets in the form of OREO.
- (2) Any SRB is required to hold written policies and procedures on OREO.

Part Two

Rating Procedures

Article 13

- (1) Any SRB is required to make settlement efforts on OREO.
- (2) Any SRB is required to document the settlement efforts on the OREO as referred to in paragraph (1).

Article 14

- (1) Any SRB is required to appraise OREO at the moment of the collateral takeover to determine its net realizable value.

(2) The net ...

- (2) The net realizable value as referred to in paragraph (1) shall be determined by an Independent Appraiser for an OREO with a value of Rp500,000,000.00 (five hundred million rupiah) or more.
- (3) Maximum net realizable value shall amount to Earning Assets value settled with OREO.

Article 15

- (1) Quality of OREO which has been under settlement efforts as referred to in Article 13 shall be classified as follows.
 - a. Current, if the OREO is owned for up to 1 (one) year;
 - b. Substandard, if the OREO is owned for more than 1 (one) year up to 2 (two) years;
 - c. Doubtful, if the OREO is owned for more than 2 (two) years up to 3 (three) years;
 - d. Loss, if the OREO is owned for more than 3 (three) years.
- (2) Quality of OREO which is not in seek of settlement as referred to in Article 13 shall be classified one level below its stipulation as referred to in paragraph (1).

CHAPTER V

ALLOWANCES FOR ASSETS LOSSES

Part One

General Provisions

Article 16

- (1) Any SRB is required to establish PPA either for Earning Assets or Non-earning Assets.

(2) The PPA ...

- (2) The PPA as referred to in paragraph (1) shall be in the form of :
- a. general reserves and special reserves for Earning Assets; and
 - b. special reserves for Non-earning Assets.

Part Two

Establishment Procedures

Article 17

- (1) PPA general reserves as referred to in Article 16 paragraph (2) letter a shall be no less than 0.5% (five per thousand) of total Earning Assets classified Current, excluding Bank Indonesia *Wadiah* Certificates.
- (2) PPA special reserves as referred to in Article 16 paragraph (2) letter a shall be no less than :
 - a. 10% (ten percent) of Assets classified Substandard after deducted by collateral value;
 - b. 50% (fifty percent) of Assets classified Doubtful after deducted by collateral value; and
 - c. 100% (one hundred percent) of Assets classified Loss after deducted by collateral value.
- (3) Requirement to establish PPA as referred to in paragraph (1) and paragraph (2) shall not be in force for Earning Assets in the form of *Ijarah* or *Ijarah Muntahiyah bit Tamlik*.
- (4) Any SRB is required to establish amortization for *Ijarah* or *Ijarah Muntahiyah bit Tamlik* with stipulations as follows.
 - a. *Ijarah* shall be amortized in accordance with SRB's amortization policy for assets of the kind;
 - b. *Ijarah Muntahiyah bit Tamlik* shall be amortized in accordance with terms of leasing.

(5) The use ...

- (5) The use of collateral value as a subtracting factor in the calculation of PPA as referred to in paragraph (2) may only be applied on Earning Assets.

Article 18

The establishment of PPA for Earning Assets as referred to in Article 16 paragraph (1) and paragraph (2) for *Murabahah*, *Salam*, and *Istishna'* uses the amount of purchasing price balance or cost price balance.

Part Three

Collateral Rating

Article 19

Collateral which may be considered as a subtracting factor in the establishment of PPA comprises :

- a. *Wadiah* savings deposits, *Mudharabah* savings deposits and/or time deposits, and blocked guarantee deposits in rupiah enclosed with a power of attorney to disburse;
- b. Bank Indonesia *Wadiah* Certificates under mortgage;
- c. land, buildings, and houses which have been bound in accordance with applicable stipulations;
- d. vehicles and stocks which have been bound in accordance with applicable stipulations.

Article 20

Collateral value which may be considered as a subtracting factor in the establishment of PPA as referred to in Article 19 comprises :

- a. for cash collateral in the forms of bank note, foreign bank note, gold, gold coin, *Wadiah* savings deposit, *Mudharabah* savings deposit and/or time

deposit ...

- deposit, and blocked guarantee deposit in rupiah enclosed with a power of attorney to disburse at a maximum of 100% (one hundred percent);
- b. for collateral in the form of Bank Indonesia *Wadiah* Certificate at a maximum of 100% (one hundred percent);
 - c. for collateral in the forms of land, building, house, vehicle, and sea ship at a maximum of :
 - 1) 80% (eighty percent) of mortgage value for collateral in the forms of land, building, and house with a proprietary right certificate (SHM) or a building right certificate (SHGB) bound with mortgage;
 - 2) 60% (sixty percent) of tax object sale value (NJOP) for collateral in the form of land, building, and house with a SHM or a SHGB, right to use without mortgage;
 - 3) 50% (fifty percent) of NJOP for collateral in the form of land with ownership evidence in the form of custom land title letter C enclosed with tax statements (SPPT) of 6 months;
 - 4) 50% (fifty percent) of Market Approach for collateral in the form of vehicle and sea ship enclosed with ownership evidence and with a power of attorney to sell.

Article 21

- (1) Appraisal on collateral may be conducted by an Independent Appraiser or SRB internal appraiser which shall be based on an analysis on objective and relevant facts in accordance with commonly applicable methods and principles as referred to in Article 1 number 21.
- (2) The requirement of collateral appraisal by an Independent Appraiser as referred to in paragraph (1) shall be in force for Financing amounting to Rp500,000,000.00 (five hundred million rupiah) or more.

(3) If the ...

- (3) If the appraisal on collateral is not conducted as referred to in paragraph (1), the appraisal result shall not be considered as a PPA subtracting factor.

Article 22

Bank Indonesia has the authority to recalculate collateral value which has been deducted from the PPA if an SRB fails to comply with stipulations as referred to in Article 20.

CHAPTER VI FINANCE RESTRUCTURING

Article 23

- (1) Any SRB is required to possess written policies and procedures on Finance Restructuring.
- (2) Any SRB may only exercise Finance Restructuring on any customer which :
 - a. has experienced or is expected to experience a decrease in capability of repayment and/or fulfillment of its liabilities; and
 - b. continues to have favorable business prospects and/or be able to meet requirements after the restructuring.
- (3) The implementation of restructuring as referred to in paragraph (1) shall refer to fatwa issued by the National Sharia Council and Financial Accounting Standard applicable for sharia banks.
- (4) Restructured Financing quality shall be classified as follows.
 - a. The highest quality of Substandard for Financing which prior to the restructuring is classified Doubtful or Loss;

b. Quality ...

- b. Quality remains unchanged for Financing which prior to the restructuring is classified Current or Substandard;
- (5) The Financing quality as referred to in paragraph (4) may :
 - a. become Current, if there is no arrear in principal installment and profit/margin/fee sharing or other liabilities of the kind for 3 (three) consecutive payment time periods;
 - b. revert to the same quality as that prior to restructuring if customer fails to meet criteria as referred to in letter a.

CHAPTER VII

WRITE OFF AND COLLECT OFF

Article 24

- (1) Any SRB is required to hold written policies and procedures on write off and collect off.
- (2) Write off and/or collect off may be exercised only on Financing classified Loss.
- (3) Write off may not be exercised on part of Financing (partial write off).
- (4) Collect off may be exercised either on part or the whole Financing.
- (5) Collect off on part of Financing as referred to in paragraph (4) may only be exercised in the framework of Finance Restructuring or Financing settlement.

Article 25

- (1) Write off and/or collect off as referred to in Article 24 may only be exercised after SRB makes various efforts to regain Earning Assets extended.

(2) Any SRB ...

- (2) Any SRB is required to document its efforts as referred to in paragraph (1) and the basis of considerations of the implementation of write off and/or collect off.
- (3) Any SRB is required to administer data and information on its Earning Assets under write off and/or collect off.

CHAPTER VIII

SANCTIONS

Article 26

Any SRB failing to comply with provisions in Article 2, Article 3, Article 5 paragraph (6), Article 6 paragraph (2) and paragraph (3), Article 7 paragraph (2), Article 11 paragraph (1), Article 12, Article 13, Article 14, Article 16, Article 17, Article 21, Article 23, Article 24, and Article 25 shall be liable to administrative sanctions as referred to in Article 52 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including but not limited to :

- a. written warning;
- b. downgrading in rating; and/or
- c. management replacement.

CHAPTER IX

CONCLUDING PROVISIONS

Article 27

Non-earning Assets Quality Rating for OREO as referred to in Article 12 shall be in force on December 1, 2007.

Article 28 ...

Article 28

With the enactment of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 6/18/PBI/2004 dated July 1, 2004, concerning Earning Assets Quality for Rural Sharia Banks and Bank Indonesia Regulation Number 6/19/PBI/2004 dated July 1, 2004, concerning Allowances for Earning Assets Losses for Rural Banks Conducting Business Based on Sharia Principles are revoked and declared no longer valid.

Article 29

Further provisions concerning the implementation of Assets Quality Rating as stipulated this Bank Indonesia Regulation shall be stipulated in Bank Indonesia Circular Letter.

Article 30

This Bank Indonesia Regulation shall be in force since January 1, 2007.

Enacted in Jakarta

Dated October 5, 2006

GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 81 OF 2006

DPbS

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 8/24/PBI/2006
CONCERNING
ASSETS QUALITY RATING
FOR SHARIA RURAL BANKS

GENERAL REVIEW

Sharia rural bank business sustainability is dependent on the bank's performance, one of main indicators of which is the quality of its investment of funds. A high quality of investment of funds shall bear profit that it may become a source for business development. Since characteristics of its assets are extremely influenced by credit risk, a sharia rural bank must always improve its financing policies and procedures including the rating of quality, to manage assets portfolio favorably, and to be able to anticipate external factor developments which may influence its quality of financing.

In order to rate financing quality which reflects the bank's managed financing exposure level it is necessary to reorganize quality rating definition and criteria on any financing.

In addition, in line with sharia rural bank financing developments which may lead to an increase of OREO held by the bank, it is necessary to rate the OREO constituting non-earning assets.

Based on ...

Based on the abovementioned considerations, it is deemed necessary to reorganize stipulations concerning assets quality rating for sharia rural banks in a Bank Indonesia Regulation.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Prudential principles in provision of funds mean that the investment of funds shall be based, among other things, on :

- a. Analysis of business viability taking into account at least the 5C factors, namely Character, Capital, Capacity, Condition of the economy, and Collateral;
- b. Assessment of repayment capability.

To monitor means to keep a watch on customer's business performance from time to time.

To take anticipatory measures means to take actions and preventive measures to protect against the possibility of default in the provision of funds.

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

The meaning of "rating shall be conducted on a monthly basis" is the presentation in monthly reports in accordance with Bank Indonesia

stipulations ...

stipulations concerning SRB monthly reports.

Article 4

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 5

Paragraph (1)

Calculation of the Realized Revenues (RR) to Revenue Projection (RP) ratio shall be as follows.

$$Q = \frac{RR}{RP} \times 100\%$$

In which :

Q = Revenue Achievement Ratio

RR = Realized Revenues, revenues received by SRB from customer

RP = Revenue Projection, revenues estimated to be received by SRB from customer

Paragraph (2)

Average accumulation in the duration of realized Financing is :

Example 1

For *Mudharabah* and *Musyarakah* Financing with a term of 1 (one) year beginning from January 1, 2005 up to December 31, 2005 and is rated in January 2006, RR and RP to be used are the accumulated

amount ...

amount from January up to December 2005.

Example 2

For *Mudharabah* and *Musyarakah* Financing with a term of 6 (six) months which has been realized only for 3 (three) months, the accumulation to be used are only the realized term of 3 (three) months.

Paragraph (3)

For example, for *Mudharabah* and *Musyarakah* Financing with a term of 2 (two) years and profit share payment scheduled every 6 months, the RP shall be determined every 6 months as follows.

1. 1st 6 month RP = Rpxxx or x %
 2. 2nd 6 month RP = Rpyyy or y %
- etc.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory

Paragraph (6)

Fully documented means the availability at least of documentation on financing including application, analysis, decision and monitoring on financing and other files related to RP, and its changes.

Article 6

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3) ...

Paragraph (3)

Self-explanatory.

Article 7

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Self-explanatory.

Article 10

Self-explanatory

Article 11

Paragraph (1)

Fully documented is defined as the availability at least of documentation on provision of funds including application, analysis, decision and monitoring on provision of funds, and its changes.

Paragraph (2)

Self-explanatory.

Article 12

Paragraph (1)

Self-explanatory.

Paragraph (2)

Written policies and procedures include but not limited to OREO

mechanism ...

mechanism and requirements.

Article 13

Paragraph (1)

This regulation is aimed at encouraging SRB to conduct business in accordance with its function in collecting and distributing funds to the public. Settlement efforts may be made, among other things, through an active marketing and selling of OREO.

Paragraph (2)

Documentation includes but not limited to data and information evidence on OREO marketing and selling efforts.

Article 14

Paragraph (1)

Net realizable value is defined as collateral's Market Approach deducted by estimated discharging cost.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 15

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 16

Paragraph (1)

The establishment ...

The establishment of PPA for Non-earning Assets is intended to encourage SRB to make the settlement efforts and to anticipate potential losses.

Paragraph (2)

Self-explanatory.

Article 17

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Letter a and b

Amortization for *Ijarah* and/or *Ijarah Muntahiyah bit Tamlik* shall refer to applicable financial accounting standards for sharia banks.

Amortization policy to be made shall reflect consumption pattern to be expected from the economic benefit of *Ijarah* objects in the future.

Paragraph (5)

Self-explanatory.

Article 18

Self-explanatory.

Article 19

Letter a ...

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory

Letter d

Applicable stipulations include but not limited to stipulations concerning fiduciary, mortgage, and storage receipt.

Article 20

Self-explanatory.

Article 21

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 22

Self-explanatory.

Article 23

Paragraph (1)

Written policies and procedures include but not limited to official and unit in charge in restructuring and analysis processes on financing to be restructured.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Paragraph (3)

Restructuring under applicable fatwa issued by the National Sharia Council includes, among other things, that for *Murabahah* it may be conducted by granting discount from total liability payment, rescheduling and conversion of *Murabahah* agreement.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 24

Paragraph (1)

Write off is an administrative measure taken by an SRB to write off provision of funds or claims classified Loss from the balance sheet amounting to customer's liabilities without any revocation of the SRB's collecting right to customer.

Collect off is a measure taken by an SRB to write off customer's liabilities which can not be settled up.

Write off and collect off policies and procedures include but not limited to requirements, definition, authority, accountability, and methods of write off and collect off.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Write off shall be conducted on all Financing extended and be bound

in an agreement ...

in an agreement.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Collect off in the framework of Finance Restructuring and Financing settlement is aimed at the interest of transparency to customer.

Financing settlement may be conducted through collateral takeover or settlement by customer

Article 25

Paragraph (1)

Efforts which may be made include but not limited to the form of collection to customer, Finance Restructuring, payment request to the party granting guarantee on the concerned Earning Assets, and Financing settlement through collateral takeover

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 26

Self-explanatory.

Article 27

Self-explanatory.

Article 28

Self-explanatory.

Article 29 ...

Article 29

Self-explanatory.

Article 29

Self-explanatory.

Article 30

Self-explanatory.